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DDC Commercial Activities Newsletter

Update on A-76 Activities

Tracey Scheiblehut

Just to keep you updated on the current status of A-76 activities:

- The MEO at Defense Distribution Depot Columbus, OH, began performance on May 1.
- Defense Distribution Depot Barstow, CA, was tentatively awarded to EG&G on January 7, 2000. AFGE filed a post-award bid protest in the United States Court of Federal Claims. On May 10, 2000, the Court of Federal Claims denied the protest.
- Defense Distribution Depot Warner Robins, GA, was tentatively awarded to EG&G on February 4, 2000. AFGE has filed a GAO protest. Although results are pending, EG&G began transition proceedings May 3, 2000.
- Currently, DDJF is undergoing the Independent Review (IRO) of their MEO and In-house Cost proposals. DDCN will begin the IRO process in late May.
- DLSC is sponsoring a Lessons Learned Forum May 23-24. The outcome of this forum will determine timeframes for the current round of studies and announcement for future rounds. The DDC is delaying the issuance of RFPs for DDDC, DDRV, DDHU, and DDAG pending the

outcome of the Lessons Learned Forum.

***Requests for Proposal can
be viewed at
www.supply.dla.mil/a76***

Functional Depot Teams

Donna Robinson

As Commanders prepare for the beginning of their depot's A-76 study, some suggestions are offered on the composition of the depot functional teams. As selections are made for these vital depot employees, depots must continue to perform to standards while losing these individuals from the workforce. While selections are at the discretion of every Depot Commander, we offer our thoughts on the "mix" of employees to perform this important function. These individuals will play a critical role in the development of the Performance Work Statement, the Management Plan, and other documents required under the A-76 process. Functional experts should be assigned who have a detailed knowledge of depot processes. This functional team represents the depot employees and as a team should be familiar with every facet of their depot. Some examples of team members would be employees familiar with the distribution process, budget, transportation, inventory, equipment maintenance, systems and special functions. Commitment is important and applies at all levels. The A-76

- Representative organizations (i.e., AFGE) of affected employees
- Contract bidder selected for competition
- Existing federal contractors affected by decision
- And, agencies that have submitted formal ISSA offers to compete

Affected parties have 20 calendar days to file a written appeal to the Contracting Officer (KO). The KO provides appeals to the Administrative Appeal Authority (AAA) appointed by the DLA Director. The AAA must be independent of the activity under review and at least two levels above the certifying official. The administrative appeals process allows affected parties to challenge a limited number of issues. Appeals can only be based on questions regarding:

- Compliance with OMB Circular A-76
- Costs entered by the government on the cost comparison form.
- And, agency denials of information not otherwise protected by law

The AAA will address each appeal issue submitted. The AAA may require affected parties, the Independent Review Official (IRO), and the Contracting Officer to provide clarification and responses to appeal issues presented. The AAA will issue a written decision on any valid appeal submitted by affected parties within 30 calendar days of receipt. The decision by the AAA is DLA's "final" award. DLA will proceed according to the decision as issued or amended by the AAA. In the case of a contract win, DSCC will hold a post award conference to delegate responsibility to the DDC Administrative Contracting Officer (ACO) and begin to negotiate the terms of the contract with the winning offeror.



Pentagon Officials Defend Outsourcing Efforts

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Outsourcing is here to stay for Defense Department employees, even when a new administration enters the White House, Pentagon officials said recently during a live satellite broadcast about the public-private competitions forcing hundreds of thousands of civilian workers to defend their jobs.

The broadcast, hosted by Stan Soloway, Deputy Under Secretary of Defense for Acquisition Reform, featured a discussion with the head of the Pentagon's "competitive sourcing" efforts, Randall Yim, Deputy Under Secretary of Defense for Installations. The broadcast also included a documentary on competitions at DoD installations nationwide, and a panel of experts that fielded questions from audience members.

"In the end, I hope you'll find the process less threatening," Soloway told the audience.

Competitive sourcing, also known as public-private competition, is governed by processes laid out in Office of Management and Budget Circular A-76. From 1997 to 2003, the Pentagon plans to put more than 200,000 civilian jobs up for competition using A-76 procedures. When in-house workers lose the competitions, their jobs are outsourced to private contractors.

Yim focused his comments on what he said are misconceptions about the A-76 process. Many people make the mistake of thinking that A-76 is just about dollar savings, but the process is fundamentally a good business practice, he said.

The Defense Department will continue to push for innovations and best business practices in the future, Yim said. "A-76 will be around in some shape or form, regardless of the administration," he said.

Probably the biggest complaint about A-76 is that it's not a fair process, Yim said. "We owe it to our public employees to ensure an actual fair process and to ensure the appearance of fairness throughout the process," he said.

Managing the performance of contracts, to ensure that cost savings are realized throughout the life of the contract, is essential, Yim said. "It's important that we not be baited and switched by anybody."

One audience member asked if an installation commander is allowed to take sides during an A-76 competition. An installation commander on the panel agreed that it's rough to remain unbiased. "It's natural that commanders want to take care of their people," he said, but "you have a responsibility to communicate honestly and ensure that it's a fair process."

According to a panel member representing the contractor industry, contractors usually have the best interest of the workforce at heart because if they win the bid, 80 to 90 percent of the employees the contractors hire will come out of the in-house workforce.

A-76 competitions are expected to save the Defense Department \$11 billion from now until 2005. Yim said that money would be reinvested to improve the agency's infrastructure, including service members' quality of life.

Questions from audience members and those watching the broadcast via satellite or the Internet were addressed

throughout the program. Most covered the nitty-gritty of the A-76 process. But the underlying issue is what happens to those who are impacted by competitive outsourcing, Yim said.

“The most difficult part is that we’re not just talking about savings, we’re talking about people’s careers,” he said.

DoD wants to educate its workforce about the need for A-76 and reinforce that the agency will help affected employees, said Yim. “Those are the types of values we need to protect as part of our military tradition.”

New DoD Strategic and Competitive Sourcing Guidance

Twila Gonzales

Recent guidance from DoD on Costing for the A-76 Cost Comparison Process augments DoD Instruction 4100.33, Commercial Activities Program Procedures, and ensures compliance with the OMB Circular A-76 Revised Supplemental Handbook.

When performing the A-76 cost comparison process, DoD components shall comply with the OMB Circular A-76 and the Revised Supplemental Handbook. A DoD A-76 Costing Manual is currently in development and will be issued concurrently with DoD Instruction 4100.33, Commercial Activities Program Procedures. In the interim, DoD components shall use the OMB Circular A-76 Cost Comparison System (COMPARE) software for all A-76 cost comparisons, effective immediately, to ensure a standardized approach is used in DoD A-76 cost comparisons. This Air Force-developed software program is already in use by the DDC. COMPARE software is available and can be downloaded from

the Air Force Manpower and Innovation Agency web page in the Competitive Sourcing Clearinghouse section. The Internet address:

<http://www.afmia.randolph.af.mil/xpms/index>.

DoD Components shall continue to use the current COMPARE until the windows-based version is released later this year.

The following five specific areas for costing in the A-76 cost comparison process require further clarification for the DoD components. DoD components shall comply with the following guidance:

Personnel costs include the cost of all direct in-house labor and supervision, including quality control personnel necessary to perform internal quality control requirements that are stated in the PWS. Also included are other local personnel costs expended in operation of the activity being cost compared, or when responsibilities change if performance is converted to or from in-house or contract performance. These latter costs are not part of the twelve-percent overhead factor. They include management and oversight activities, such as direct and indirect managers and supervisors above the first line of supervision, who are essential to the performance of the function(s) being competed, personnel support, environmental or Occupational Safety and Health Administration (OSHA) Act compliance management, etc. These positions may or may not be 100% dedicated to the activity being competed. When a position is not 100% dedicated to the activity being competed, its cost shall be prorated to Line 1 of the cost comparison form according to the amount of dedicated time. For example, A GS-13 position spends 20% of its time performing management oversight of an activity being competed; the prorated cost of this position would be entered on Line 1

as .20 FTEs in the grade of GS-13. For in-house cost estimates that assume a mix of in-house labor and existing subcontracts to the function being competed, Line 1 shall also include the cost of labor for administration of those support subcontracts.

Standard factors developed by OMB shall be applied unless other factors are approved by OMB. DoD Components may develop and recommend changes to these factors to DoD for submission to OMB for approval to implement either DoD-wide or for a specific Component (depending on the DoD Component's justification). Sector specific factors cover a function or group of functions DoD-wide. All submissions shall be made by DoD to OMB.

Separation incentive pay (e.g., Voluntary Separation Incentive Pay (VSIP), Voluntary Early Retirement Authority (VERA), etc.) offered employees as an inducement for resignation or early retirement is not included in the cost estimate. Per OMB guidance, the determination to use Separation Incentive Pay in an A-76 cost comparison is a management decision and independent of the decision to conduct an A-76 cost comparison. The standard four-percent severance pay cost factor recognizes the average Federal-wide expenditures experienced for separated civilian employees. Therefore, DoD components are not permitted to add additional separation incentive pay factors to the estimated cost of contract performance. NOTE: During the study process at DDWG, the A-76 team submitted a waiver to change the OMB severance rate of 4 percent. DDC and DLA endorsed this waiver, indicating to OSD that 12 percent was a more appropriate factor given the scope of DoD downsizing. DoD denied the waiver.

Contract administration costs are those costs of administering the contract such as processing invoices that would not be incurred unless the work is converted to contract. Such costs do not include inspection and other administrative requirements that would be common to contract and Government performance. Therefore, the MEO shall include a Quality Control Program if it is required by the PWS. A Quality Control Program is not the same as a Quality Assurance Surveillance Plan that is intended to determine if an in-house or contract activity is meeting the requirements of the PWS. Rather, it is a program designed to establish a quality control process and to ensure that the organization (internal to the MEO or contractor) actually follows the quality control process. It puts the burden for quality control on the MEO or contractor. It is not inspection driven nor is it based on detailed "how to" requirements with deduct clauses. The authorizations necessary to staff this Quality Control Program for the MEO shall be included and costed in the MEO staffing.

Inventory costs are part of effective management practices that include having an accurate inventory at all times of consumable materials and supplies as well as equipment. In situations when the Government intends to provide existing materials and/or equipment to a contractor in the event of a contract decision, the reasonable costs of a one-time inventory may be charged to the cost of contract performance. Inventory costs shall not reflect worst case scenarios such as developing a wall-to-wall inventory. In order to charge this one-time cost to Line 10, One-time Conversion, a DoD component shall have sufficient justification and written approval before adding such costs to the Government cost estimate. This written approval shall be signed by the DoD component's official designated to

comply with Paragraph 9.(a) of OMB Circular A-76 and shall be based on conservatively estimated justification.



MEO Tips

Twila Gonzales

Stress that the MEO start with "Zero Personnel." The MEO starts with a blank slate, using the PWS as the guidebook to build an organization rather than justifying the existing structure.

Most importantly, teams developing a PWS and MEO must think out of the box. Throw out existing staffing, organizational charts and grade structures (don't even look at them). This is time to brainstorm. Every idea should be on the table (i.e., use part-time employees, subcontracting functions, closing underutilized facilities, consolidating facilities and operations, stopping or changing inefficient operations, etc.). Analyze how you could do business (as a businessman) not how you do business (as a government organization).

Think into the future. Are there changes to facilities, volumes and type of workload changes that will impact your operations, staffing and facilities? If so, these factors should be addressed in your MEO and PWS.

Once you have defined your MEO and PWS, start early to make changes that will minimize impact on manpower and operations. Regardless of the outcome of the A-76 decision, changes are required. Plan early.

Organizations developing MEOs should base their MEOs strictly on the PWS, not on their present

organizational structures... the tendency to conduct business "as usual" will probably lead to retention of higher classified than necessary employees and will increase MEO costs.

Each function under study should early on closely examine correlating contractor wage grades under the Service Contract Act. If the review reveals that additional categories of labor cost breakout are needed, get the request into DOL early.

Competing a function means impacts to different stakeholders. These stakeholders must be involved early on to help ensure against unintended consequences. Everyone involved needs to clearly understand what is at stake and the end state depending on the outcome.

If the government MEO wins the competition, you must ensure against any unjustified growth in FTE or grade structure. All MEOs are susceptible to audit a year after the study is complete and any activity that exceeds its MEO is at risk of being terminated and subsequently awarded to the next bidder. Bottom line--any change to the MEO should receive the same amount of scrutiny that we would place a contractor through with proposed changes to contract scope and cost.

***Question or
Concern?***

***Call the A-76 Hotline
at
1-877-333-1946***